

FY 2002 BUDGET

AS OF MAY 1, 2001

WITH ESTIMATES FOR FY 2003 AND BEYOND

Prepared by

Gallaudet University Budget Committee

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**FY 2002 BUDGET
EXECUTIVE SUMMARY**

This document presents Gallaudet's budget for FY 2002 within the context of a financial plan for the University covering the next 5 years. The document begins with preliminary revenue and expense budgets for FY 2002, for Board approval. The process by which these budgets were developed was open and inclusive, involving representatives from all of the University's major internal constituencies. This budget was developed by the University Budget Committee (UBC) and was approved by the University President. The process that was followed is described in detail in this document.

The next major budget topic to be addressed is the University's FY 2003 budget request to the Congress which is submitted through, and according to the formats of, the U.S. Department of Education. The Board will be asked to approve a strategy for preparing this request, based upon the University's long term need to maintain the purchasing power of its Federal funding against inflation, and the need to provide for programmatic growth. This strategic framework was also developed through a public process conducted by the UBC. Both the process and the Committee's recommendations are presented in this document.

This is followed by the University's 5 year financial plan, which will guide budget development in FY 2004 and beyond. By far the most important factor affecting the University is the Federal Appropriation process. This situation is due to Gallaudet's unique relationship with the U.S. Congress, which has provided the bulk of its funding for the past 137 years. Currently, Congress provides about 70% of the University's unrestricted funding. For more than a decade, Congress struggled to balance the Federal budget, and for that reason, Gallaudet, along with other Federally supported programs, saw its funding base increase at a rate that did not match inflation in the general economy. More recently, during the last three fiscal years, the University's Federal funding has begun to grow at a rate commensurate with the Consumer Price Index. Because of Gallaudet's reliance on Federal appropriations, the University follows the Federal government's fiscal cycle, including a fiscal year that begins on October 1 and ends on September 30. To offset slow growth in the appropriation, Gallaudet's tuition rate has been increasing at a rate that exceeds that of inflation, and this budget contains a recommendation for that to continue in FY 2003.

Although the University's Federal appropriation is now growing at a rate that is commensurate or almost with inflation, overall growth in real income is expected to remain sluggish in the foreseeable future. This is due to the slow growth in the appropriation that was already mentioned and to total university enrollment that is expected either to decline or to remain at the current level. The total FY 2002 budget is projected at \$136,000,000, and from this budget, the UBC has recommended that the President award a general pay increase to faculty and staff of up to 3%.

Finally, the University Budget Committee wishes to express its deepest appreciation to Dr. Thomas Jones, the University faculty representative who is completing 3 years of outstanding service to the Committee and to welcome his replacement, Dr. Fat Lam.

TABLE OF CONTENTS

1. Calendar of Budget Related Events...1
2. Recommended FY 2002 Budget...2
3. FY 2002 General Pay Increase...13
4. FY 2002 Capital Improvements and Technology...15
5. FY 2003 Tuition and Fees...18
6. FY 2003 Planning/Budgeting Framework...22
7. Appendix: Strategic Planning Framework for Financial Resources

UNIVERSITY BUDGET COMMITTEE (UBC) CALENDAR OF BUDGET RELATED EVENTS OCTOBER 2000—SEPTEMBER 2001

OCTOBER 2000

- Execution of FY 2001 budget begins
- Board of Trustees approves tuition and fees for FY 2002

DECEMBER 2000

- President announces priorities for FY 2003 budget planning and development
- UBC publishes guidelines for development of FY 2003 budget
- UBC publishes guidelines for final budgets for FY 2002

FEBRUARY 2001

- Vice Presidents respond to guidelines for 2002 and 2003

MARCH 2001

- President Jordan testifies before House appropriation committee—FY 2002 budget

APRIL 2001

- UBC recommends final FY 2002 budget to President
- UBC recommends priorities for Gallaudet FY 2003 Federal budget request

MAY 2001

- Board approves FY 2002 budget and priorities for FY 2003 Federal budget request

JUNE 2001

- Budget Office submits FY 2003 Federal request to US Department of Education

SEPTEMBER 2001

- Congress approves and US President signs FY 2002 appropriation bill

RECOMMENDED FY 2002 BUDGET

Following is a summary of the University Budget Committee's general recommendations to the President concerning the FY 2002 budget. That summary is followed, in turn, by the rationale for the recommendations and the distributions shown in the accompanying tables.

- **General pay increase of 3%;**
- **Funding adequate to support investments made in the Peoplesoft system and to provide for further enhancements;**

- **University to continue funding Deaf Way II at 50% of anticipated expense;**
- **Funding needed to enhance the security and safety of the University's campus.**

UBC participation in the budget process began with receipt of projections of unrestricted income for FY 2002, and by announcement of the President's priorities for the year, stated in terms of A-RAP strategic subobjectives:

SSO 1.2 Gallaudet University offers students at every level effective curricular and co-curricular educational programs leading to productive employment and participation in a diverse society.

SSO 1.3 University and Clerc Center enrollments are maintained at appropriate levels of diversity and quality.

SSO 1.4 Integrated technology supports students' acquisition of skills and knowledge.

The UBC then solicited budget requests, organized around the President's priorities, from each of the University divisions, as well as the President's Technology Advisory Committee (PTAC) and the Peoplesoft Transformation Board (PTB).

Revenue Assumptions

The assumptions discussed in the following paragraph were prepared by the UBC prior to receipt by the University of the Bush administration budget. The UBC schedule, dictated by the date of the May Board of Trustees meeting, required preparation of final recommendations by April 5, 2001. The Bush administration budget was received on April 9, about 2 months later than is usual for the Federal budget preparation cycle. The administration budget for FY 2002 recommends an appropriation for Gallaudet equal to that received in FY 2001. The UBC completed its recommendations assuming that the University's recommended funding would include a 4% increase in its base budget. The Committee also assumed that Gallaudet would receive a \$4 million special appropriation to address security issues that arose because of two murders on campus. The appropriation process for FY 2002 is just beginning and most people familiar with the process assume that many changes will be made to President Bush's budget. The budget presented here is based on the UBC's original assumptions, and the Committee is optimistic that these assumptions can be met as the appropriation process proceeds. However, it is also recognized that the President of Gallaudet will need the authority to make adjustments to the original plan if these revenue assumptions are not met.

The total revenue estimate of \$136,000,000 presented in the table on page 5 assumes that the University will receive a 4% increase in its base operating budget, consistent with the Bush Administration budget framework for all Federal spending and that it will receive funding for a special request to Congress for assistance with needed security enhancements, that the University will meet its Academic Year 2001-2002 enrollment projections, and that the Gallaudet University Kellogg Conference Center revenue will be equal to its projected expenses.

Revenue Distributions

The UBC had two major responsibilities in recommending how the University should distribute its projected unrestricted income: 1. To recommend a general pay increase in FY 2002; 2. To recommend distribution of the projected income among the University's divisions and other major programs and activities. To this end, the UBC reviewed all of the budget requests submitted by the organizational units named above and the estimated costs of general pay increases at various levels. It was immediately evident that the needs described in the budget requests exceeded the available income by a considerable margin. With respect to the general pay increase, the UBC considered 3 major factors: the amount of available revenues, the competitiveness of the University's current pay scales for faculty, teachers, and staff; and the current rate of inflation. Taking these factors into account, the UBC recommends a general pay increase of 3% in FY 2002 (see the section beginning on page 13 for more detail concerning the Committee's rationale). The estimated distributions of the total budget by division in the table on page 8 assume that a final award of 3% will be made across the board to eligible employees, but the UBC also recommends that the President have discretion to make a smaller award in the event of revenues falling below expectations.

Several of the divisions made additional requests beyond support for a general pay increase. In addition, there were substantial requests for support for capital improvement projects, the technology plan and for maintenance and enhancement of Peoplesoft. All of these requests could not be supported, and the table of estimated distributions presents the UBC's recommended distribution including a 3% across the board pay increase. The UBC recommends partial support for additional requests from Academic Affairs, Administration and Finance, and the President's Office. These requests included the following, and the funding levels recommended by the UBC are in parentheses:

Academic Affairs—Support for graduate school recruiting (\$100,000).

Administration and Finance—Support for increases in utilities costs and expansion of the Office of Audit and Management Advisory Services (\$300,000).

President's Office—Support for expansion of the Planning Office to support the A-RAP strategic planning process (\$620,000).

The Committee notes, in not supporting a request for centrally budgeted funds for graduate stipends, that there is a need for review of the way in which currently available financial aid is distributed, especially with respect to increasing the proportion of the total that is available to graduate students. This issue is addressed further in the section on student charges.

The UBC also reviewed a budget request from PTAC to support enhancement of the technology plan and recommends that \$2 million be dedicated to enhancing the University's technological infrastructure and to ensuring the University's continued development of academic technologies. PTAC also recommended that the University establish a system for scheduling the replacement of all desktop PC systems on a three year cycle. PTAC estimates that the University is already spending the \$1.3 million needed to do this but not on a systematic basis. No additional funding would be required but reallocation among operating units probably would be. The UBC supports this idea and recommends that the University study the feasibility of establishing such a centralized system. For FY 2002, the UBC received a separate request from the Peoplesoft Transformation Board (PTB). The Committee recommends devoting \$5.2 million to ensuring the continued effectiveness of the University's recent major investments in the Peoplesoft system. In making these recommendations, the UBC expresses its concern about the continuing high cost for consultants used to implement and maintain institutional systems. The Committee recommends that there be examination of ways to reduce these costs in the future. The request for funds to support capital improvements exceeded available funding, and the UBC's recommendation in this regard is

described in detail in the section beginning on page 15, along with the technology budget.

Finally, the Committee was asked last year to review a multi-year request from the planning committee for the Deaf Way II conference to be held in 2002. The planning committee prepared a budget of approximately \$4 million to be spent during fiscal years 2000, 2001, and 2002, with projected income of something less than \$2 million from privately raised funds, and conference registrations and related sales of products. Recognizing the importance of this conference and balancing that against the fiscal challenges facing the University, the UBC recommended that Gallaudet commit to supporting no more than one half of the projected \$4 million cost of the conference. The Deaf Way II planning committee projects the need for \$2.4 million in support during FY 2002, and the UBC recommends that the University provide \$1.2 million from the central University budget.

In order to make its recommendations, the UBC first had to assess the appropriateness of the current budget distributions at the University. To do this, the Committee reviewed comparative data from a national sample of small, selective liberal arts colleges and universities prepared by the National Association of College and University Business Officers (NACUBO) from data provided annually to the Federal government, with respect to FY 1998, the latest year for which comparative data were available. These data, along with comparable data for Gallaudet are presented in the charts on pages 10-12. Comparisons are presented in those charts for data on total costs per student and for the functional distribution of expenses. In general, these data show that, with respect to the distribution of its expenses, Gallaudet is fairly typical, except that it spends relatively more on instruction, research and public service, in accordance with its national mission, and less on central administrative services. Because the comparison group is composed of colleges and universities, the Gallaudet information is for the University only and excludes the Laurent Clerc Center. Several conclusions can be drawn from these data. There is no obvious indication that major reallocations are needed among University functions. The Committee notes in this regard that substantial reallocations among the University's divisions occurred in FY 2001 as a result of reorganization. Consistent with the goal of reorganization to make the University's programs more efficient and effective, the bulk of the redistribution was from support service areas to academic programs. The Committee however, recognizes a continuing need for more detailed indicators to be tracked, throughout the institution, and to be used in making future decisions about allocations. The A-RAP process will continue to provide the framework for this.

Authority of the President

Because of uncertainty surrounding the Federal appropriation process for FY 2002, it is recommended that the Board give the President authority to adjust these recommendations based on the availability of funding. In particular, the President should have authority to do the following:

1. **Reduce the general pay increase to less than 3%.** The general recommendation stated in the section on the general pay increase states that the President should have the authority to award a general pay increase in a range between 0 and 3%, depending upon the availability of funding.
2. **Reduce the amount budgeted for technology projects.**
3. **Reduce the amount budgeted for capital improvements.**
4. **Recall some percentage of existing operating budgets.** In the past, the President has recalled as much as 1% of existing operating budgets to support general pay increases.
5. **Reduce the amount budgeted for security enhancements.**
6. **Reduce the amount budgeted for addition to the reserve fund.**

The President has requested the involvement of the UBC in setting priorities for reductions, should the University's revenue goals not be met.

GALLAUDET UNIVERSITY FY 2002 PRELIMINARY BUDGET PROJECTED UNRESTRICTED REVENUE BY SOURCE (DOLLARS IN THOUSANDS)

Student Tuition and Fees	\$15,000
Federal Appropriation	\$97,000
Government Grants and Contracts	\$3,000
Contributions	\$500
Endowment/Other Interest Income	\$4,500
Other Sources	\$3,000
Auxiliary Enterprises	\$13,000

Total

\$136,000



GALLAUDET UNIVERSITY FY 2002 PRELIMINARY BUDGET
ESTIMATED DISTRIBUTION OF PROJECTED REVENUE BY DIVISION AND FOR OTHER PURPOSES
(DOLLARS IN THOUSANDS)

ACADEMIC AFFAIRS	\$48,200
LAURENT CLERC CENTER	\$19,700
ADMINISTRATION AND FINANCE	\$26,300
PRESIDENT'S OFFICE	\$9,600
PRESIDENT'S CONTINGENCY FUND	\$1,000
GOV. GRANTS AND CONTRACTS	\$3,000
GU PRESS/BOOKSTORE/FOOD SERVICE	\$4,600

CONFERENCE CENTER	\$3,700
TECHNOLOGY PLAN	\$2,000
PEOPLESOFT	\$5,200
CAPITAL IMPROVEMENTS	\$4,500
DEFERRED MAINTENANCE	\$600
DEAF WAY II	\$1,200
BOARD MANDATED ADD. TO RESERVES	\$1,400
FEDERAL ENDOWMENT PROGRAM	\$1,000
SECURITY ENHANCEMENTS	\$4,000
TOTAL EXPENSES	\$136,000

FY 2002 Projected Distribution of Revenues



Comparative Financial Indicators

Gallaudet University and 15 Small Private Colleges and Universities

From NACUBO National Sample with Highest Costs per FTE Student
(Top 5% of NACUBO Sample)

NACUBO 15

Bates College
Bowdoin College
Cooper Union
Dickinson College
Harvey Mudd College
Haverford College
Illinois Wesleyan University
Lafayette College
Occidental College
St. John's College (MD)
St. John's College (NM)
Vassar College
Wabash College
Williams College
Wells College

FY 1998 Average Expenses per FTE Student

Peer Group Range	\$28,751-\$43,947
Peer Group Average	\$35,927
Gallaudet	\$45,272

Note: These data are the same as those presented in the FY 2001 budget. The Gallaudet Budget Office attempted to update the comparative figures to FY 1999 but was unable to obtain new data from NACUBO. In the second chart, Academic expenses include those for instruction, research, public service and academic support, and Support expenses include those for student services and institutional support. In this chart, Gallaudet's ratios have been updated to FY 2000. The Gallaudet cost per student is total cost, including research, public service, auxiliary enterprises. In the Appendix, we consider education cost only, exclusive of research, public service, and auxiliaries.





FY 2002 GENERAL PAY INCREASE

The Board is asked to approve a general pay increase in a range between 0 and 3% in FY 2002

In considering this recommendation for a general pay increase in FY 2002, the UBC reviewed several kinds of information, including: the recent history of general pay increases at Gallaudet compared to the Consumer Price Index for Urban Consumers (CPI-U), the competitiveness of the University's pay schedules in local and national markets, and the anticipated availability of funds. The following schedule shows that the general pay increases awarded during the past several years have been fairly similar to increases in the CPI, and that previous erosion in employee purchasing power has almost been made up. This was achieved partly by reductions in staffing. Comparative data reviewed by the Committee suggest that the University's pay schedules for its major categories of employees: faculty, teachers, and staff, are fairly competitive in both the national and local labor markets. The general course of inflation during the past few years has been up, and the five year financial plan contains the assumption that it will continue to increase at an annual rate of about 3%. Given the uncertainty surrounding the Federal budget following the recent change in administration, the UBC is also concerned about the availability of funding. It is recommended, therefore, that the President have discretion to make a general pay award of 3% in FY 2002, assuming that sufficient funding is available.

PERCENT CHANGE IN GU GENERAL PAY INCREASES AND CPI FOR URBAN CONSUMERS FY 1995-2001

FISCAL YEAR	GU PAY	CPI-U
1995	3.0%	2.8%
1996	0.0%	2.7%
1997	3.0%	3.0%
1998	3.0%	1.6%
1999	3.0%	1.7%
2000	2.0%	2.7%
2001	3.0%	3.7%

CUMULATIVE PERCENT INCREASE		
1995-2001	18.2%	19.7%

FY 2002 CAPITAL IMPROVEMENTS AND TECHNOLOGY

As was noted in the section on the recommended FY 2002 budget, the UBC received budget proposals from the President's Technology Advisory Committee (PTAC) and the Peoplesoft Transformation Board (PTB). Separate budgets were proposed so that the University could begin the process of identifying those costs for technology development that are associated with maintenance and upgrading of major systems (in this case Peoplesoft) and investment in new improvements to the University's technological infrastructure (the PTAC proposal). Note that separation of these kinds of costs is not complete in these budget proposals, but that the process has begun. Following are the items contained in the PTAC proposal.

PTAC Recommendations	
Help Desk Maintenance	\$114,000
GDOC Licensing/Multimedia Equipment	\$195,000
Phase 3 Network Infrastructure	\$866,000
Campus Portal and Course Tools	\$602,000
Windows 2000 Migration	\$300,000
Data Warehouse	\$225,000
Wireless Technology for Student Academic Center	\$250,000
Total PTAC Request	\$2,552,000

The UBC recommends that the budget for wireless technology in the new Student Academic Center should become part of the capital budget for that project, and it is understood that it is a good candidate for support by private fund raising. The UBC recommends that \$2,000,000 be allocated to the remaining projects, that \$250,000 for the wireless technology be removed, and that PTAC be responsible for identifying \$300,000 in savings from the remaining request of \$2,302,000.

The PTB request consisted of the following items:

PTB Recommendations	
Maintenance Costs	
Functional Consultants	\$1,141,000
Technical Consultants	\$1,748,000
Licenses	\$259,000
New Projects Costs	
Academic Advising	\$675,000
Financials Upgrade	\$1,250,000
Training Center	\$150,000
Faculty Rollout	\$460,000
Online Registration	\$428,000
Online Personnel Actions	\$189,000
New Web Server	\$200,000
Total PTB Request	\$6,500,000

The UBC recommends that a total of \$5,200,000 be provided to support these projects and the PTB have the discretion either to reduce costs associated with particular projects or defer some projects to future years. The Committee notes that this represents 80% of the requested funding.

With respect to capital improvements, the University also has a list of needed projects that is updated annually. In FY 2002, the UBC recommends that \$4,500,000 be allocated from the central budget to support two projects that are underway and that also received partial funding in FY 2001. These are the Washburn Arts Building and the New Student Academic Center Complex (including the renovation of the Student Union Building). The Committee notes that \$2.5 million was allocated to the Washburn project in FY 2001, and the amount recommended in 2002 will be sufficient to fund the total estimated cost of \$3.5 million. The Student Academic Center project is being funded by a combination of centrally budgeted funds and funds raised through the Capital Campaign. The UBC allocated \$1.9 million to this project in FY 2001 and recommends that \$3.5 million be allocated in FY 2002. As the chart below shows, more than \$11 million has been raised for this project through the Capital Campaign. Including the \$3.5 million recommended in this budget and the funds from the Capital Campaign and the FY 2001 budget, a total of \$16.5 million has been identified to support the total estimated cost of \$21 to complete the project. That leaves a total of \$4.5 million to be funded either through additional private fund raising or future budget actions. The pie chart on the following page summarizes the funding for the Student Academic Center project.

Recommended Capital Improvements		
To be funded from unrestricted funds:	FY 2002	FY 2001
Renovation of Washburn Arts Building	\$1,000,000	\$2,500,000
Student Academic Center Complex	\$3,500,000	\$1,900,000
Total budgeted for capital improvements	\$4,500,000	\$4,400,000
Funds available from Capital Campaign:		
Student Academic Center	\$11,100,000	



TUITION AND FEES FOR AY 2002 AND 2003

It is the responsibility of the Board of Trustees to approve tuition and fees for Gallaudet's undergraduate and graduate programs. In the past, the Board has approved student charges for tuition, room and board for the upcoming academic year at its October meeting. Accordingly, the Board approved tuition and fees for Academic Year 2002 at the meeting held in October, 2001. These charges, along with the University's enrollment projections are used to estimate revenues for tuition and fees, the University's second most important income source. The following charts show the fees that were approved for Academic Year 2002. During this budget cycle, the UBC has recommended moving the schedule for approval of tuition and fees more into line with other budget decisions by including it in the May Board decision package. Therefore, recommended tuition and fees for AY 2003 are also included in the following charts, and the Board is asked to approve these rates. These rates are derived from the University's five year financial plan (see Appendix), and are designed to support modest growth in the University's expenses.

In recent years, increases in tuition and fees have exceeded the inflation rate, consistent with the University's five year financial plan (see Appendix), so that the University could make up for erosion in the purchasing power of the Federal appropriation. Despite these increases, Gallaudet remains a bargain, as is shown by Figure 6 in the Appendix. The tuition for U.S. students currently accounts for only about 1/5 of the actual annual cost of educating a student. It is also important to note that proportional to the tuition and fees that are charged, Gallaudet students receive very substantial financial aid. In FY 2000, for example, Gallaudet undergraduate and graduate students were charged \$21,200,000 for tuition, room, and board. According to Gallaudet's annual audited financial report for that year, the University's 2,000 students received a total of \$20,200,000 from Federal financial aid programs, including loans and Vocational Rehabilitation funds, and University financial aid funds. It is the case that these funds are not uniformly distributed among

all students and that students incur substantial other expenses for attending, but it is clear that actual out-of-pocket expenses for the average Gallaudet student are not onerous. Having made that observation, however, the UBC recommends that the University study the distribution and strategic use of financial aid in the recruitment process. There is particular concern that insufficient funds have been available to support graduate students who may not be eligible for some of the aid programs open to undergraduates.

Finally, there is a chart comparing Gallaudet's tuition and required fees (not including room and board) for the current academic year with rates at the most expensive public universities. Howard University is included because it has a relationship with the Federal government that is similar to Gallaudet's, as is NTID. Note that Gallaudet's tuition rate continues to be within the range for public universities.

TUITION AND FEES FY 2003				
RECOMMENDED TUITION AND FEE SCHEDULE REGULAR FULL-TIME UNDERGRADUATE STUDENTS				
GALLAUDET US STUDENTS				
			INCREASE	
	FY 2002	FY 2003	DOLLARS	PERCENT
Tuition	\$7,870	\$8,420	\$550	7%
Room	\$4,320	\$4,450	\$130	3%
Board	\$3,250	\$3,350	\$100	3%
TOTAL	\$15,440	\$16,220	\$780	5%
INTERNATIONAL STUDENT TUITION				
	FY 2002	FY 2003	DOLLARS	PERCENT
	\$11,810	\$12,635*	\$825	7%
	\$15,740	\$16,840**	\$1,100	7%
*International student surcharge for qualified students from developing countries at a rate of 50%				
**International student surcharge at a rate of 100% for all other international students.				

TUITION AND FEES FY 2003				
RECOMMENDED TUITION AND FEE SCHEDULE REGULAR FULL-TIME GRADUATE STUDENTS				
GALLAUDET U.S. STUDENTS				
			INCREASE	
	FY 2002	FY 2003	DOLLARS	PERCENT
Tuition	\$8,660	\$9,270	\$610	7%
Room	\$4,320	\$4,450	\$130	3%
Board	\$3,250	\$3,350	\$100	3%
TOTAL	\$16,230	\$17,070	\$840	5%
INTERNATIONAL STUDENT TUITION				
	FY 2002	FY 2003	DOLLARS	PERCENT
	\$12,990	\$13,900*	\$910	7%
	\$17,320	\$18,540**	\$1,220	7%
*International student surcharge for qualified students from developing countries at a rate of 50%				
**International student surcharge at a rate of 100% for all other international students.				

2000-2001 TUITION AND REQUIRED FEES	
GALLAUDET, HOWARD, NTID AND MOST EXPENSIVE PUBLIC UNIVERSITIES	
HOWARD UNIVERSITY	\$9,745
UNIVERSITY OF VERMONT	\$8,288
GALLAUDET UNIVERSITY	\$7,630
UNIVERSITY OF NEW HAMPSHIRE	\$7,395
ST. MARY'S COLLEGE OF MARYLAND	\$7,360

UNIVERSITY OF PITTSBURGH	\$7,002			
TEMPLE UNIVERSITY	\$6,948			
PENN STATE	\$6,852	(FR/SO)	\$7,182	(JR/SR)
UNIVERSITY OF MICHIGAN	\$6,774	(FR/SO)	\$7,632	(JR/SR)
NEW JERSEY INSTITUTE OF TECHNOLOGY	\$6,730			
NTID	\$6,613	(1ST YR)	\$6,213	(OTHER)

FY 2003 PLANNING/BUDGETING FRAMEWORK

The Board is asked to approve a request for a 5% increase or up to \$100 million in Federal funds in FY 2003.

President Jordan initiated the budget process for FY 2003 by announcing three priorities from the A-RAP strategic planning process for budget development in that year:

SSO 1.2 Gallaudet University offers students at every level effective curricular and co-curricular educational programs leading to productive employment and participation in a diverse society.

SSO 1.3 University and Clerc Center enrollments are maintained at appropriate levels of diversity and quality.

SSO 1.4 Integrated technology supports students' acquisition of skills and knowledge.

Note that these are a continuation of the priorities announced for FY 2002. To begin the budget development process, the UBC solicited plans for implementing these objectives from each of the University's divisions. These plans were prepared in the form of narratives that described each division's projected efforts relative to each of the three priorities. The UBC reviewed these plans and sought to identify themes appearing in the program proposals that could be used to form an institution-level plan for budget development for FY 2003.

For the FY 2002 Federal budget request, the UBC adopted a strategy in which the University requested an appropriation increase that exceeded inflation, but that did not include specific amounts for specific programs. This strategy was followed because the appropriation process seldom leads to funding at that level of specificity. The University would like to have the flexibility to continue with that strategy. Opportunities generally arise, as the appropriation process goes forward, to provide greater levels of detail. As was mentioned above, several themes were identified, and these included the following.

- Initiatives that would create new certificate and degree programs;
- Initiatives that meet the needs of high ability students;
- Initiatives that support distance education activities.

The UBC recognized in addition the need for continuing increases to account for the effects of inflation in the economy—the need estimated by the Committee is an increase of 3 to 4% for this purpose, given recent changes in the Consumer Price Index. As was explained in the section on the budget recommendation for FY 2002, there is a great deal of uncertainty surrounding the University's appropriation for FY 2002. Recall that the University requested from Congress a total appropriation of \$97 million in FY 2002, including \$4 million for security enhancements. About one half of this \$4 million was for one-time capital improvements, so the University's request for on-going support for its base budget was, in effect, for \$95 million. The Committee recommends that the President be given discretion to request an amount in FY 2003 that is up to 5% higher than that, or \$100 million. The rationale for this increase is to cover anticipated inflation and to provide for programmatic growth in the areas outlined above.

Appendix

Strategic Planning Framework for Financial Resources

Strategic Planning Framework for Financial Resources

David F. Armstrong

Introduction

Gallaudet has gone through several rounds in a process to refine its strategic objectives and strategies for achieving them. The plan contains three major strategic objectives, and this analysis focuses on one of them, Strategic Objective 3 (SO3). SO3 was written as follows: **Gallaudet University establishes a sustainable resource base.** Currently, the University maintains a continuous process, called A-RAP (Action—Results, Assessment, Planning) to review and refine the plan and progress toward its accomplishment. The five year financial plan that is described here comprises the portion of A-RAP devoted to the financial portion of SO3. As such, this plan is reviewed and revised annually by the University Budget Committee (UBC) as part of the annual budget process.

The most important factor influencing the University's budget is, and has historically been its unique relationship with the Federal government, which is described below. Gallaudet's Federal appropriation is by far the largest component of its annual income, and the University's general financial strategies are very much influenced by this fact and by recognition of the University's public role. The relationship between the Federal appropriation and other components of the University's income will also be described in detail

below.

It is important to note that this plan deals only with the University's unrestricted annual income and the major functions to which that income is distributed for use. It does not deal with Gallaudet's private fund-raising activities or the investment policies for its endowments. For example, the University is currently engaged in a major capital campaign that has a multi-year \$30 million goal. Finally, it should be noted that, in this report, SO3 is considered to be subordinate to the strategic objectives concerning the University's programs. The reason for this approach is that SO3 concerns only the means by which Gallaudet's major programmatic objectives can be realized—SO3 has no independent *raison d'être*. Consequently, the projections that are developed for institutional financial resources make no assumptions beyond those already contained in the other strategic objectives—namely that there will be no programmatic growth that leads to increased, revenue generating enrollment. This report also assumes that there will be no real growth in the University's auxiliary enterprises. Changes in the University's other strategic objectives that would imply growth in these areas could easily be accommodated within the strategic framework that is proposed here.

A strategic framework

It would be helpful to think about the University's relationship with the Federal government, and how Gallaudet goes about seeking funding from Congress. In this regard, Gallaudet enjoys a situation that is almost unique in American higher education. The University is permitted to make an annual request to Congress for the funding it needs to operate all of its programs, within the larger process by which the Federal budget is developed by the executive branch and approved by Congress. As the University develops an appropriation request, it is constrained by several factors: its request must be reasonable and must reflect the needs of the American deaf community; it must take into consideration current economic conditions, including the inflation rate; and it must be cognizant of the wishes and interests of Congress, including a desire to control spending and avoid budget deficits. During the decade prior to 1997, the annual increases received by the University from the Federal government were largely determined by Congressional budget agreements aimed at eliminating the Federal deficit and not allowing it to return. Consequently, growth in the University's appropriation was slow. During that period the appropriation grew at rates that were less than the general inflation rate, including one year, FY 96, when the amount was actually reduced by 3%. This meant the University's Federal appropriation was losing purchasing power at a rate of about 1% annually. Since FY 1997, the appropriation has been growing at a rate slightly above the growth in the consumer price index for urban consumers (CPI-U), the index that the University uses for benchmarking purposes (See Figure 1). Although the appropriation has recently been growing at a rate exceeding that of the CPI, much of the strategy reflected in this plan assumes the need to recoup losses in economic power that accrued to the University during the previous period of negative growth.

Figure 2 compares growth in both the appropriation and the CPI-U with the average growth for both of these factors between 1997 and 2001. The average value plotted for the increase in the appropriation through the period clearly exceeds that of the CPI-U by about one half of one percent. The central strategic assumption underlying the planning framework presented here is that the University's appropriation will continue to increase at an average rate of about 3%, roughly equal to the expected increase in inflation, for the foreseeable future.

The University responded to previous erosion in its Federal funding base by attempting to offset these losses in purchasing power with increases in other components of its income. Given the University's heavy reliance on Federal appropriations, the other sources of income had to be increased by much more annually than the 1% in value that the appropriation was losing annually. It is clear that the University's strategic decisions concerning these other income components have been predicated upon historical and anticipated changes in the Federal appropriation. So, a well articulated strategic plan for managing Gallaudet's resources will have to take account of the interrelationships among the University's income components, especially the most important ones—the Federal appropriation and income derived from student tuition and fees. Finally, the strategic plan should be able to accommodate readily an overarching goal for institutional finances as it is stated in Strategic Objective 3.

While the original statement of SO3 (given above) refers to establishing a reliable resource base for Gallaudet, it doesn't state for what purpose. All of our strategic thinking about this issue leads toward an assumption that the purpose for maintaining a reliable resource base must be, because Gallaudet is a not-for-profit enterprise, to fulfill the University's mission. For practical purposes, in recent years, this has meant that the University has sought sufficient funds to maintain its current level of service to the American and world deaf communities and, perhaps, to increase that level marginally. This has been the University's implicit goal, but given the University's experience with changes in Federal funding, it has been necessary to become more efficient in order to maintain current levels of enrollment and service. There is a need for reliable and realistic projections of income by source that can be related to projected needs for expenditures on various aspects of the University's programs and facilities. The next section of this paper contains a description of such a set of projections. The method described allows for variations in policy assumptions that could be expected to lead to a range of possible outcomes for the University. The most significant assumption underlying this projection method is that the University has the ability to influence Congress only marginally with respect to the final outcome of the appropriation process. It assumes that, in general, the appropriation process will be driven by political and economic forces external to Gallaudet, as has been true in the past. Therefore, the following projections all assume, as was mentioned above, that the annual increase in the Federal appropriation will be what it has been during the recent period of relative prosperity described above, about 3%. The strategic framework presented here allows the University to make adjustments to other components of the model should the appropriation behave differently in the future. Other components can be adjusted to reflect policy options that Gallaudet can actually control, such as increases in student tuition and fees. These considerations have also led to a slightly modified general statement of SO3— **Gallaudet University establishes a sustainable resource base sufficient to support the accomplishment of its mission.**

The analysis presented in the previous paragraph also suggests that there should be a very general subobjective under SO3— **The University should be attempting to decrease its historic reliance on the Federal government for support to initiate or expand programs by continuing to diversify its sources of financial support.**

Note that all of the projections presented in this plan are based on the FY 2001 budget and include only the assumptions within the plan itself for FY 2002, not the recommendations to the Board for FY 2002. The plan was prepared this way so as to avoid the

uncertainties in the FY 2002 appropriation process and to allow the plan to play itself out according to its original assumptions, without introducing those uncertainties at the outset.

Projections within the framework

The first set of projections deals with a policy established by the Board of Trustees some 20 years ago. This policy was not dealt with specifically in the drafts of the strategic plan that were prepared prior to the first iteration of this financial plan, but it is vital both to achieving SO3 and to defining some of the other parameters within the overall strategic framework. Approximately two decades ago, the Gallaudet Board recognized that the University had insufficient expendable reserves to be able to weather even a fairly minimal disruption to its normal stream of income. Consequently, the Board adopted a policy that directed the University administration to set aside a portion of non-appropriated income (in general, appropriated funds must be expended during the year in which they are appropriated) annually, so that an emergency reserve fund could be built up. The Board never adopted a particular goal for the eventual size of this fund, but there are standard benchmarks for this in higher education, usually given as percentages of the institution's operating budget. For example, a reserve fund equal to 50% of an institution's operating budget would allow the institution to operate for 6 months even if its sources of income were completely cut off.

At the end of FY 2000, the University's expendable reserve funds were equal to about 71% of the annual operating budget. Comparative studies with peer institutions and recommendations from outside consultants suggest that Gallaudet should have reserves equal to approximately 100% of the institution's operating budget. A strategic plan for accomplishing this goal, must consider growth in three factors: the University's annual contribution to the fund, growth in the fund due to investment, and growth in the annual operating budget. Figure 3 shows that the University can accomplish this goal as of Fiscal Year 2005 by making modest increases of 20% per year to its current annual \$1 million contribution to the fund, assuming two other conditions are met through this period. First, the fund must grow due to investment at an annual rate equal to the historic average rate of growth in the stock market—9%. Second, growth in the University's expenses must average no more than 3%. This helps us to establish a goal for one of the lines in our current budget for distribution of income, that for funding Gallaudet's reserves. Remember that, given the University's non-profit status, we must establish goals for uses of income before we can establish goals for the income itself.

The University has other goals for income use that are more or less explicit. First, it has a long standing policy to contribute a portion of current income to fund deferred maintenance projects. In addition, recent changes in the accounting standards for private institutions of higher education have made it necessary for Gallaudet to record the annual depreciation in its facilities and equipment as expenses in its annual financial statement. This requirement has been added so that colleges and universities will not be able to hide serious problems related to failure to correct deterioration of their facilities. For Gallaudet, this currently means that the University must set aside income from its operating budget equal to about \$6 million annually or it will record a deficit in its financial statement. This implies that the University needs to add to its strategic subobjectives a statement that it intends to fund the annual depreciation of its facilities. Currently, this issue is addressed in the annual budget process through the setting aside of income to support capital improvements. In addition, there are other funds set aside for improvements to the University's technological infrastructure. These funds are represented by lines in the University budget, and they are reflected in the strategic framework presented below. Finally, the University seeks to continue funding the operating budgets of its divisions at current levels, meaning that these budgets must increase at least as rapidly as the inflation rate; and the University will continue to add \$1 million of its appropriation annually to its Federal endowment matching funds. The non-Federal matching funds are assumed to come from Gallaudet's capital campaign, which is not considered in this document.

Figure 5 illustrates how the University can meet these strategic spending and funding goals through FY 2006 given an annual 3% increase in its Federal appropriation. In order to meet the implied income goals, Gallaudet will have to increase its tuition rate by an average of 7% annually, and most other income components will have to grow at a rate of 3%. The reason for this difference is that most of the other income components, especially those related to auxiliary enterprises (food service, dormitories, book store, Gallaudet University Press, Conference Center, etc.), are assumed to be for the purpose of supporting specific operations that should be growing at a rate about equal to that of general inflation in the economy. These projections also assume that the University will achieve its strategic subobjective of profitability for these enterprises. Note also that the income line labeled "government grants and contracts" is not assumed to be growing, because its income is for legally designated specific purposes and is not available for general institutional use. Therefore, real growth in University funding will have to come from increases in tuition that are greater than projected increases in the inflation rate. Finally, it should be stated explicitly that if either of the major assumptions underlying these projections (continuing 3% annual increases in both inflation and the Federal appropriation) prove incorrect, adjustments would be needed in other income components in order for the University to meet the financial goals outlined here.

Institutional financial health—the net income ratio

So far, the only indicator of financial well-being that we have considered is the ratio of expendable reserves to total operating budget. Another key indicator in measuring financial well-being is called the "net income ratio" by the University's auditor, KPMG. In effect, this is simply a proportional measure of the institution's operating surplus or deficit. In this case, changes in the University's net assets for the year are compared to total income.

The components of this indicator are taken from the "statement of activities" in the annual financial report. The numerator is obtained by subtracting the total unrestricted operating expenses (including depreciation) from the total unrestricted operating income and other support. The denominator is simply total unrestricted operating income and other support. Depreciation, a key component of this indicator, is not currently part of the University's budget. We will consider here what happens to our strategic planning when we make depreciation an explicit part of the budget. The current value of the depreciation of Gallaudet's buildings and equipment is approximately \$6 million annually. Figure 5B presents projected changes in Gallaudet's net income ratio using the assumptions underlying Figure 5, with the additional assumption that depreciation will continue to be \$6 million. In Figure 5B, the line labeled "set asides" includes amounts for the Federal endowment program, additions to reserves, technology plan, capital improvements, and deferred maintenance. Note that under these assumptions, the net income ratio is positive and moves upward to 4.5% by the end of the planning period. KPMG considers a value of 4% to be the "threshold" for healthy values of this indicator. Because there is at present no reliable way of predicting changes in the level of depreciation, it is impossible to construct a very precise scenario for the

behavior of the net income ratio, but a strong case can be made for set asides at least in the range assumed in Figure 5. Note again that the availability of funds for meeting this goal depends upon the University's meeting the income goals set forth in the financial planning framework.

Efficiency indicators

As was true with respect to maximizing income, the question of how to think about efficiency of operations is also problematic. Institutions of higher education have traditionally prided themselves on being inefficient, that is, by maximizing amounts per capita that could be spent on educating students. Gallaudet has recently received a first place ranking for value among universities in the northeastern United States. The University achieved this desired ranking by being able to spend a relatively large amount to educate its students while charging the students only a small fraction of the actual cost of their education. This is possible because of the high level of support the University receives from the Federal government. There is no evidence that the University wishes to give up this ranking or the way of doing business that the ranking implies. The position taken here, therefore, is that the University Budget Committee should not be developing recommendations about such possible efficiency indicators as the student to faculty ratio. Instead it is argued that these must come from the programs themselves and must be related to growth in other programs. It is just simply unclear whether an increase in this indicator is to be desired. What are proposed in this respect as strategic goals and indicators are, then, designed to maintain what is seen as a desirable status quo with respect to the institution's overall cost structure. Within this framework, it is recommended that the University continue to evaluate the distribution of its existing total cost among the various functional categories of standard higher education accounting and that funding for new programs be found primarily by creating efficiencies in existing programs. The overall planning framework can also accommodate goals for programmatic growth coupled with goals for improvements in efficiency. More important than a goal for efficiency in programs and services would be a goal concerning excellence and effectiveness in programs and services.

Strategic goals and commentary

We can now summarize explicitly Gallaudet's strategic goals for financial resources. Brief commentary is also presented, including statements of assumptions and strategies for achieving each goal.

General goals for funding:

1. The University will increase its funding to support operations at a rate at least equal to the rise in the Consumer Price Index.

Comment: Figure 5A shows that this goal would be met for division operating budgets for each outyear, given the assumptions underlying the projections shown in Figure 5.

2. Gallaudet will fund the annual depreciation of its facilities and equipment.

Comment: It is possible to achieve this goal for each year represented in the plan, given the assumptions underlying the projections in Figure 5 and assuming that depreciation continues to have a value of roughly \$6 million annually.

3. Gallaudet will match \$1 million in Federal endowment funds annually.

Strategic assumptions for funding:

Strategic assumption 1. Gallaudet's Federal appropriation will continue to increase at an average of 3% annually.

Comment: This should not be taken as implying that the University will seek annual increases of only 3% from the Federal government. Instead the University will present annual requests for funding that are responsible and that seek support for the University in areas that are deemed mutually beneficial to the U.S. deaf population and to the Government of the United States. The statement of this strategic assumption simply reflects the University's understanding of the recent history of the appropriation process and the political and fiscal constraints under which the Congress and the administration must operate.

Strategic assumption 2. University enrollment will remain constant at its current level.

Comment: For this assumption to be met, the University's tuition and other fees structure must continue to be reasonable and affordable, so that students are not deterred from attending the University for financial reasons. Studies conducted by the University have suggested that, to date, financial considerations have not been a significant factor in students' decisions to enroll in and remain at Gallaudet. The University must continue to monitor this situation, however. This assumption also depends on the University's conducting effective recruiting activities and on its continuing to offer programs of high quality and desirability.

Goals for income:

In general, Gallaudet University reduces its reliance on the Federal government for support to initiate or expand its programs by diversifying its sources of income.

1. Increase tuition income by 7% annually unless appropriation or inflation rate deviates from its predicted 3% average annual rise.

Comment: If the strategic assumptions made in this report are used to guide Gallaudet's tuition policy, then it will be necessary to increase the tuition rate for all categories of University students by 7% annually through FY 2006. Tuition charges increasing at a rate that exceeds that of the CPI is justified by the fact that the Federal funding base has eroded and by the fact that tuition currently only covers about 20% of the University's annual cost of educating a student (Figure 6), and by the fact that most student

expenses are covered by financial aid.

2. Increase other components of discretionary income by 3% annually.

Strategic assumption for income: Increases in student tuition averaging 7% annually and in other fees averaging 3% annually will not deter students from attending.

Comment: These goals should be reexamined annually with respect to changes in Federal appropriations and in the inflation rate.

Goals for financial well-being and efficiency:

1. Gallaudet's annual net income ratio will rise to approximately 4%.

2. Gallaudet's expendable reserves will increase to approximately the value of the operating budget by FY 2005.

Strategic assumptions: Expenses will grow at an average rate of approximately 3% annually, and the University will increase reserve set-asides by 20% annually.

Comment: The projections for funding that are presented in Figure 5 assume that spending will grow at a rate slightly above 3% (the projected average inflation rate). Even given this faster rise in spending, the University should be able to achieving these goals in most years by increasing its set asides by the factors given in the strategic planning framework.

3. Gallaudet's ratios of programmatic and support service expenditures will fall within the range for a peer group of small liberal arts colleges and universities.

The FY 2002 budget document includes a sample comparison of Gallaudet's functional expense distribution to distributions by quartile for such a peer group.

4. Gallaudet will establish mechanisms for redistributing funding from programs and services with low priority to those with high priority.

Gallaudet's financial resources in historical context

This paper concludes with a review of the history of Gallaudet's major sources of income. Figures 7 and 8 illustrate the impact that changes in Federal funding have had on Gallaudet's budget. Note that for the 9 year period between FY 1980 and FY 1989, the University's funding grew at rate that was nearly 3 times as great as its rate of growth for the following 9 year period through FY 1998. During the same period, from 1980 to 1998, Federal funding as a percentage of Gallaudet's total income fell from about 83% to about 70%. As was mentioned above, Gallaudet compensated for erosion in Federal funding by dramatically increasing its charges to its University students. Before 1980, the University had an agreement with the Department of Education to set its tuition rate at the average for U.S. land grant colleges and universities. The rationale for this policy was that Gallaudet was federally funded and acted as the national public university for deaf people. Therefore, deaf students should be charged fees that were comparable to what the average hearing student would be charged to attend a public university. In the early 1980's, recognizing that the Federal government could no longer continue to support Gallaudet directly to the extent it had been doing, the Department of Education advised Gallaudet to increase its tuition rate relative to the average for land grant institutions. Initially, the University adopted the mean for the top quartile of public universities as its goal for tuition. This change in policy is reflected in Figures 9 and 10. Note the especially large percentage increases in the years following 1984. Eventually the University elected to surpass the mean of the 75th percentile as a goal, and its current tuition rate is surpassed by only one public university.

It is important to consider these historical trends in Gallaudet's funding sources, because they reveal that what are proposed here as strategic assumptions reflect general trends that have been underway for a considerable period of time. Within a broader context, these trends can be seen as representative of a general shift, within the larger economy, toward greater private responsibility for what were previously considered public obligations.





MODEL FOR PROJECTING GROWTH IN OPERATION BUDGET AND EXPENDABLE RESERVES									
		1999	2000	2001	2002	2003	2004	2005	2006
Expenses growing at 3%		\$114,077,323	\$121,585,834	\$125,233,409	\$128,990,411	\$132,860,124	\$136,845,927	\$140,951,305	\$145,179,844
Expendable net assets		\$68,404,087	\$86,815,931	\$95,629,365	\$105,436,008	\$116,365,248	\$128,566,121	\$142,210,672	\$157,497,952
Percentage of expenses		60%	71%	76%	82%	88%	94%	101%	108%
Investment growth at 9%		\$6,156,368	\$7,813,434	\$8,606,643	\$9,489,241	\$10,472,872	\$11,570,951	\$12,798,960	\$14,174,816
Annual Contributions		\$1,000,000	\$1,000,000	\$1,200,000	\$1,440,000	\$1,728,000	\$2,073,600	\$2,488,320	\$2,985,984



FIGURE 5. GALLAUDET UNIVERSITY

STRATEGIC FRAMEWORK FOR INCOME AND EXPENSES

Income	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Tuition and Fees @ 7% Growth	\$14,000,000	\$14,980,000	\$16,028,600	\$17,150,602	\$18,351,144	\$19,635,724
Federal Appropriation @ 3% Growth	\$89,400,000	\$92,082,000	\$94,844,460	\$97,689,794	\$100,620,488	\$103,639,102
Grants and Contracts	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Contributions @ 3% Growth	\$700,000	\$721,000	\$742,630	\$764,909	\$787,856	\$811,492
Endow/Other Interest @3% Growth	\$4,000,000	\$4,120,000	\$4,243,600	\$4,370,908	\$4,502,035	\$4,637,096
Other Sources @ 3% Growth	\$3,000,000	\$3,090,000	\$3,182,700	\$3,278,181	\$3,376,526	\$3,477,822
Auxiliary Enterprises @ 3% Growth	\$11,500,000	\$11,845,000	\$12,200,350	\$12,566,361	\$12,943,351	\$13,331,652
Total Income	\$125,600,000	\$129,838,000	\$134,242,340	\$138,820,754	\$143,581,401	\$148,532,889
Appropriation as % of Total	71.18%	70.92%	70.65%	70.37%	70.08%	69.78%

Distribution of Income	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Division Operating Budgets	\$101,600,000	\$104,426,620	\$109,417,127	\$113,513,283	\$117,811,342	\$121,905,687
Percent Growth in Div. Budgets		2.78%	4.78%	3.74%	3.79%	3.48%
President's Contingency Fund	\$1,000,000	\$1,298,380	\$1,342,423	\$1,388,208	\$1,435,814	\$1,485,329
	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Press/Bookstore/Food Service	\$4,500,000	\$4,635,000	\$4,774,050	\$4,917,272	\$5,064,790	\$5,216,733
Government Grants	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Conference Center	\$3,600,000	\$3,708,000	\$3,819,240	\$3,933,817	\$4,051,832	\$4,173,387
Federal Endowment Fund	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Additions to Reserves	\$1,200,000	\$1,440,000	\$1,728,000	\$2,073,600	\$2,488,320	\$2,985,984
Deaf Way II	\$700,000	\$1,200,000	\$0	\$0	\$0	\$0
Technology Plan	\$4,000,000	\$3,500,000	\$3,000,000	\$2,500,000	\$2,000,000	\$2,000,000
Capital Improvements	\$4,400,000	\$5,000,000	\$5,500,000	\$5,800,000	\$6,000,000	\$6,000,000
Deferred Maint. Fund @ 5% Growth	\$600,000	\$630,000	\$661,500	\$694,575	\$729,304	\$765,769
Total Distributions	\$125,600,000	\$129,838,000	\$134,242,340	\$138,820,754	\$143,581,401	\$148,532,889

Figure 5B. Net Income Ratio	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Income	\$125,600,000	\$129,838,000	\$134,242,340	\$138,820,754	\$143,581,401	\$148,532,889
Division Budgets	\$101,600,000	\$104,426,620	\$109,417,127	\$113,513,283	\$117,811,342	\$121,905,687
President's Contingency Fund	\$1,000,000	\$1,298,380	\$1,342,423	\$1,388,208	\$1,435,814	\$1,485,329

Auxiliary Enterprises	\$8,100,000	\$8,343,000	\$8,593,290	\$8,851,089	\$9,116,621	\$9,390,120
Government Grants	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Deaf Way II	\$700,000	\$1,200,000	\$0	\$0	\$0	\$0
Total Current Expenses	\$114,400,000	\$118,268,000	\$122,352,840	\$126,752,579	\$131,363,777	\$135,781,136
Set Asides	\$11,200,000	\$11,570,000	\$11,889,500	\$12,068,175	\$12,217,624	\$12,751,753
Total Current Expenses and Set Asides	\$125,600,000	\$129,838,000	\$134,242,340	\$138,820,754	\$143,581,401	\$148,532,889
Estimated Depreciation	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000	\$6,000,000
Total Current Expenses plus Depreciation	\$120,400,000	\$124,268,000	\$128,352,840	\$132,752,579	\$137,363,777	\$141,781,136
Increase in Unrestricted Net Assets	\$5,200,000	\$5,570,000	\$5,889,500	\$6,068,175	\$6,217,624	\$6,751,753
Increase in Net Unrestricted Assets as % of Income	4.14%	4.29%	4.39%	4.37%	4.33%	4.55%











